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China and the 2009 Round of the Iran Nuclear Question

by John Garver



China is walking a tight-rope in handling the 2009 Iran nuclear crisis. On the one hand, Beijing's overriding strategic interest is to maintain a favorable "macro-climate" for its highly successful post-1978 development drive by maintaining good relations with the United States. Beijing realizes China-U.S. relations could sour if Washington begins to view China as a peer competitor, and that confounding U.S. policies in the Middle East could easily lead American leaders to such a dangerous conclusion. China's leaders also recognize the advantages accruing to China from a U.S. invitation to partnership on global issues. Viewed broadly, such a partnership might allow China's power to continue to grow without collision with the reigning paramount power --- rather like the U.S. did in relation to the British Empire circa 1900.

On the other hand, Beijing is loath to forgo opportunities to expand economic and political cooperation with Tehran. Iran is one of the world's largest oil exporters, has large untapped reserves of oil and gas, and is a reliable supplier of energy for China. Moreover, China's energy security policies attempt to encapsulate foreign energy supply relations in a warm, political insulation. Iran also has a large demand for infrastructure of all sorts: industrial and transportation machinery and equipment, cheap consumer goods --- all of which China is happy to supply. Iran's conflicts with the West have allowed China to establish itself as Iran's leading trading partner. (Before Iran's 1979 revolution, China supplied less than one percent of Iran's imports.) Beijing also recognizes Iran as a major regional power with no conflicts of interest with China (unlike India, Japan, Russia, or Turkey). Beijing's political objective is to expand China's influence with Iran into an all-weather partnership similar to the one China enjoys with Pakistan. This objective would be undercut by China ganging up with the United States and Europe against Iran over the nuclear issue.

China balances between these conflicting but weighty sets of interests. In the International Atomic Energy Agency Board of Governors and U.N. Security Council debates over Iran's nuclear programs, Beijing has endorsed efforts to negotiate a solution with both sides showing flexibility in order to reach an agreement that upholds the Nuclear Nonproliferation Treaty. This formulation implicitly criticizes both Washington and Tehran --- Washington for trying to abridge Iran's "right" as a signatory of the NPT to the "peaceful use of nuclear energy," and Tehran for not adequately demonstrating to the "international community" that Iran is not attempting to make nuclear weapons. China is unlikely to thwart a new push by Washington, Paris, and London (Germany is unlikely to go along) to have the Security Council endorse a new and broader --- "punishing" is the word used by U.S. representatives --- set of sanctions. But China's words suggest that at the end of the day, it will not permit the Security Council to endorse, or itself participate in, tough economic sanctions against Iran. Rather, Beijing is likely to water down any sanctions to allow China's rapidly expanding economic relations with Iran to continue unimpeded growth.

Chinese analysts were deeply skeptical about the newly inaugurated (January 2009) Obama Administration's policies toward Iran. Efforts by the Obama Administration to improve relations with Iran had some effect, according to an August article in *China Daily* by the director of Jiangsu's Institute of International Relations. Yet despite a few moderate words and gestures by the Obama administration, Washington was likely to revert soon to a hard line approach, which would fail, according to the article. "The long strained Iranian-U.S. ties have improved to some extent after Barack Obama assumed the office of the U.S. President," the article noted. But once "the world's largest economy bottoms out the Obama administration will [resume] its attack on Iran's nuclear program once again, increasing the pressure on Tehran." U.S. policies toward Iran continued to be "prejudiced." "An improvement in U.S.-Iranian ties depends more on the length Washington is ready to go to engage Tehran in a dialogue."[1](#)

Another *China Daily* article reviewing the demonstrations in Tehran protesting irregularities in the June 2009 Iranian presidential election was implicitly critical of U.S. "interference in Iranian internal affairs." The "international community" should not "add fuel to an already burning issue" by interfering in Iran's internal affairs, the article warned. An "attempt to push the so-called color revolution toward change will prove very dangerous" because "a destabilized Iran is in nobody's interest if we want to maintain peace and stability in the Middle East and the world beyond." President Obama had indicated, the article said, in his speech at Cairo University and in comments made while meeting South Korean President Lee Myung-bak, that the U.S. would not intervene in Iran's current post-election turmoil. The crux of the issue, the article implied, was whether the United States would adhere to these promises.[2](#)

China's opposition to efforts to accomplish regime change in Iran dovetails with China's own interests --- or actually, with the interests of the Chinese Communist Party that has ruled China since 1949. CCP leaders well understand that the United States and other Western democratic countries believe that values of individual freedom are universal and give unique legitimacy to institutions of liberal democracy. Marxist-Leninist, Communist values and political systems are fundamentally illegitimate, according to this Western perspective, and Western governments are often tempted to apply these ethnocentric prejudices (in the CCP's view) to China. These Western prejudices, "Cold War mentality" in the CCP's preferred nomenclature, were directed against China during 1989-1994, culminating in U.S. threats to withdraw China's Most Favored Nation status (and thus severely restrict China's exports to the U.S.) unless China implemented major improvements in China's "human rights."[3](#) China's tough stance defeated that earlier U.S. effort, but events in Tibet, Xinjiang, or elsewhere in China pose perennial opportunities for renewed U.S. and Western "interference in China's internal affairs." CCP rule of China will be safer and more secure if Western countries abandon universalistic ethnocentrism and accept the reality of diverse political systems around the world.

Beijing has consistently opposed imposition of sanctions against Iran --- over the nuclear issue or any other issue, for that matter. It eventually voted in the Security Council for sanctions resolutions: No. 1696 in July 2006, No. 1737 in December 2006, No. 1747 in March 2007, and No. 1835 in September 2008. The sanctions authorized under these resolutions were limited to 28 or so individuals and entities involved in Iran's nuclear or ballistic missiles activities. China, together with Russia and Germany, worked to ensure that those sanctions did not have much bite. Agreeing to vote for sanctions placated Washington, but watering them down

ensured that Washington's quarrels with Tehran would not too adversely effect Sino-Iranian ties.

As the Obama Administration began to lay the groundwork for tough Security Council-sponsored sanctions should the 1 October negotiations with Tehran fail, Beijing made clear it thought such sanctions were a bad idea. A Xinhua "International Observer" article made clear that sanctions were a Western idea. "Western countries led by the U.S. have asserted that the real intent of Iran's nuclear program is to possess nuclear weapons" and "the Western countries have applied pressure on Iran in all forms in an attempt to force Iran to stop its nuclear programs." Iran had rejected all such pressure. Once again, in 2009, it was likely that "the United States and the EU" will press for a new round of sanctions against Iran. "However, because every country proceeds from its own interests, it will not be easy [to secure] the adoption by the U.N. Security Council of a resolution on imposing substantive sanctions on Iran." [4](#)

A Ministry of Foreign Affairs spokesman speaking on 24 September said that imposing sanctions and exerting pressure would not be "conducive to diplomatic efforts" to resolve the Iranian nuclear issue. "We hope that all relevant parties seize the current favorable period, step up diplomatic efforts and push forward the achievement of positive results," the spokesman said.[5](#) The proper paths were talks, dialogue, and negotiations, without a background of threatened force or sanctions.

As Western companies pulled back from Iran because of greater political risk in servicing that market, Chinese companies seized the opportunities to expand. In July 2009, the Iranian embassy in Beijing announced that China had become Iran's number one trading partner.[6](#) By seizing the opportunities created by Western problems with Iran, China pushed its way into a very large, lucrative, and growing market.

An embargo of gasoline was one "tough sanction" widely discussed in Western media. Perhaps in response, British Petroleum and Reliance of India stopped selling refined petroleum products to Iran in mid-2009. Total of France indicated a willingness to follow suit, should the Security Council so mandate. Chinese firms stepped in to meet Iran's shortfall. Chinese officials denied that China sold gasoline to Iran, but foreign analysts concluded that between 30,000 and 40,000 barrels a day of Chinese refined petrol was reaching Iran via third parties.[7](#)

Iran supplies large amounts of oil to China --- typically ranking among the top three suppliers to China. China's energy security strategy stresses involvement in upstream foreign oil production, and Western sanctions against involvement in Iranian oil development projects, make Chinese participation attractive to Tehran. Iran also produces lots of mineral ores that China needs: copper, sulphur, zinc, chromium, iron, lead, and aluminum. Iran also offers excellent opportunities for Chinese exporters of transportation, construction, mining, manufacturing, and power generation equipment and machinery. Iran has ambitious development objectives and adequate financial resources to pursue those objectives. Chinese machinery is not as technologically sophisticated as Western or East Asian (Japanese or South Korean) varieties, but Chinese goods are typically substantially cheaper, and quite good enough for Iran. Iranian engineers and manufacturers might, *caterius paribus*, prefer Western or Japanese goods. But low political risk associated with Chinese goods in contrast to the risk of interruption or interference associated

with Western goods, (along with low Chinese prices) often trumps those Western advantages. Iran is a very big market, and Western sanctions offer Chinese firms an opportunity to expand into that market.

Iran's abrupt admission in late September 2009 of the existence of a second uranium enrichment facility inside a Revolutionary Guard military base at Qom will not significantly alter China's calculus. Beijing will want to stay in step with Russia in dealing with the Iran nuclear issue. Russia's calculations regarding Iran seem to have more to do with humbling the United States than do China's, and it seems unlikely that Russia will go along with a U.S.-led Western effort to enforce strict sanctions against Iran. Should this assertion prove to be wrong and Russia decides to go along with Western sanctions against Iran, China would probably follow suit. Without its Russian partner China would be uncomfortably positioned as the sole, major opponent of U.S. policies. At the same time, however, Beijing would insert as many loopholes as possible into the Security Council mandated sanctions regime, and would find occasion for words and actions supporting Iran in the face of what Chinese media would certainly style "U.S.-led Western sanctions."

China's balancing act in the Security Council reflects two important but contradictory sets of Chinese interests that Beijing must accommodate. Economic interests weigh heavily in China's calculus, but strategic calculations are important too. China's interests would not be injured if U.S. efforts to lock Iran into a militarily inferior position (i.e., without nuclear weapons) collapses. U.S. prestige would thereby be substantially diminished. China's security against a possible hostile cutoff of China's sea-borne oil imports (either by the United States or India) would also be enhanced by having a friendly, militarily powerful and confident Iran willing to work with China to counter such hostile moves. China's leverage with Washington would also benefit from Washington finding itself in a long term political-military confrontation with Iran. The United States --- and for that matter, Iran --- would need China's assistance on various matters, while the U.S. would be less inclined to focus on East Asian issues closer to China's own vital interests. One Chinese analyst may have alluded to the primacy of such Chinese interests when he noted that, "Because every country proceeds from its own interests, it will not be easy for the United States to press for the adoption by the U.N. Security Council of a resolution on imposing substantive sanctions on Iran."⁸

In the dominant view among China's Middle East specialists, the root cause of the clash between Iran and the West has been the arrogant, bullying, and ethnocentric policies of Washington over the administrations of half-a-dozen presidents. It is American policies of sanctions, military strikes (during the "tanker war" of the 1980s) and threat, subversion, and no diplomatic relations that have, in Beijing's view, created the current morass and possibly pushed Iran toward nuclear weapons to defend itself. The United States is now stewing in the mess it has itself made --- in Beijing's view. Why should China ignore its own interests by aligning with the United States against Iran? Even if Iran acquires nuclear weapons, China has no allies or military forces in the region that would be threatened by those weapons. Nor has China undertaken (unlike the United States) to guarantee the flow of oil through the Strait of Hormuz. China's general, and genuine, interest in limiting the number of nuclear weapons states is balanced against these multiple and major strategic interests.

But China must pursue these strategic and economic interests without injuring an even more important interest in maintaining cordial relations with the United States. Since 1978 China's drive for economic development has been underpinned by the imperative of maintaining friendly ties with the United States and, thus, a generally supportive American attitude toward China's development. This imperative continues to operate. It has been paralleled since 1997 by a U.S. push for increased strategic partnership with China in managing the affairs of the post-Cold War world. This U.S. policy creates a very favorable environment for the growth of Chinese influence, and Chinese leaders recognize many advantages from accepting U.S. invitations for strategic partnership and cooperation. This means that Beijing will not block U.S. moves regarding Iran in the Security Council and will cooperate with Washington at least to the degree judged necessary to keep Washington from viewing Beijing as a rival, competitor, much less a hostile power. Exactly what that degree entails will be determined by the estimates of Beijing's diplomats and analysts about the intensity of U.S. demands and the correlation of forces balanced behind and against Washington's moves. Beijing will probably cooperate with Germany and Russia to water down further sanctions. But Beijing will be loath to take the lead in opposing U.S. policy thrusts.

1. Liu Qiang , "Ahmadinejad has a real job on hand, " China Daily, 13 August 2009, p. 9.
2. "For Peace in Iran," China Daily, main editorial, 18 June 2009. http://www.chinadaily.com.cn/opinions/2009-06/18/content_8296115.htm
3. From mid 1993 to mid 1994 the Clinton Administration demanded that China fundamentally improve its "human rights" situation or face loss of Most Favored Nations status.
4. Liu Gang, "CPRC: Xinhua Stresses Dialogue in Settling Regional Nuclear Issue," Xinhua, 13 September 2005.
5. CPRC FM Spokesman: Sanctions "not conducive," 24 September 2009. Xinhua. Ariel Farrar-Wellman, "China-Iran Foreign Relations," 26 July 2009. <http://www.irantracker.org/foreign-relations/china-iran-foreign-relations>
6. Spencer Swartz, "Big Oil Traders Cut Shipments to Tehran Amid Sanctions Talk," Wall Street Journal, 24 September 2009, p. A4. Javier Blas, "Chinese companies supply Iran with petrol," Financial Times, 23 September 2009, p. 1.
7. Liu Gang, op cit.

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What's Missing in China's Stimulus Package?

By Li Qi and Rosemary T. Cunningham

As the world begins to emerge from the worst economic recession in recent memory, stimulus packages enacted by various governments around the world are very much in the spotlight. The early verdict on China's massive stimulus is favorable. The Wall Street Journal reports that "spending by Chinese consumers is holding up pretty well, partly because of heavy stimulus spending by a government flush with cash. Urban household spending in China was up 9.2% in the first half of 2009."¹

But will the stimulus bring lasting change?

China unveiled its 4 trillion RMB (US\$586 billion) stimulus package at the end of 2008. The center piece of this plan is fiscal spending on public infrastructure development and social welfare. Some of the key areas include housing, rural infrastructure, transportation, health and education, environment, industry, disaster rebuilding, income-building, and tax cuts. The massive scale of government



spending was visible everywhere on the authors' recent trip in 2009 to China. For example, the photo included here shows major redevelopment work on the Bund in Shanghai.

The essence of the stimulus package is government-led spending. Government-led behavior often generates growth spurts (as confirmed by recent consumer spending figures mentioned above). This stimulus package will no doubt increase China's GDP. It is also a smart strategy to adjust an economy

that relies too much on exports and too little on domestic demand. Investing in public infrastructure and the social welfare system will further strengthen domestic demand and serve the economy well in the long-run.

However, what China needs is to stimulate the more sustainable force of domestic demand - household consumption – and make sure that this new increase in consumer spending is not just a temporary growth spurt. China's households have always had a rather low consumption rate compared not only with advanced economies like Japan and the U.S. but also with other large developing economies such as India and Brazil². In 2007, household consumption expenditures were 60.8% of GDP in Brazil and 55.0% in India but only 35.9% in China.³

Moreover, our recent field interviews with households in Beijing, Shanghai and Xian indicate that Chinese consumers are still not buying or planning to buy more goods in the future. For example, one of our survey questions asked households: if they suddenly earn 50,000 Yuan, how they would spend the money? There were five possible options: savings or investment; pay debt; give to children or relatives or donate to social causes; buy a house, car, furniture, or electronic appliances; and spend on travel and other leisure activities. The average response was to save nearly 60 per cent of the 50,000 Yuan, instead of spending it on durable goods or vacations.



The low consumption rate to GDP poses challenges to China's new balanced growth strategy, under which shifting the source of growth from export revenues to domestic demand is a key factor for the success of adjusting China's economic structure. This low consumption rate also demonstrates that the allocation of economic resources (a core issue to economics) is not largely determined by

households. As an economy moves from a planned to a market mode, one expects resource allocation decisions to shift from the state to households or private hands. In that regard, China has a long way to go. The state still has a high command on China's economy after decades of market reforms.

Nevertheless, the stimulus package is sensible and should help increase household spending. Studies have shown that low social security and health care benefits do contribute to a low consumption ratio (Qi and Prime 2009). Households may not have to save as much for the future once a more effective and generous social welfare system is built. Moreover, this package also introduces creative ways to stimulate consumer spending. The recent 7 billion Yuan subsidy for households to trade in outdated cars and color TVs is working to increase domestic sales.

Yet once again, what happens after the sales spurt powered by this one-time subsidy? Taking care of the future (social welfare) alleviates households' burden for retirement, but increasing current household incomes is necessary and urgent. Unfortunately the stimulus package is silent on this.

Chinese people have enjoyed unprecedented income growth by virtue of the success of market reforms. Thousands have been lifted out of poverty. Compared to the past, household incomes have been growing tremendously. However, investigating the composition of China's growth in income for 1997 to 2007 (the last year for which the data is available), we see that in 27 of the 31 regions identified in the China Statistical Yearbook⁴, compensation of laborers experienced the lowest average annual growth rate compared with that of depreciation of fixed assets, net taxes on production and operating surplus. In all 31 regions, the average annual growth in operating surplus is higher than the increase in compensation of laborers. On average, the growth in operating surplus exceeded the growth in compensation by 9.7 percentage points each year.

The large differential between the growth in operating surplus and compensation of laborers may also be adding to the income inequality among regions in China. The differential growth in compensation compared with the growth in operating surplus appears to be inversely related to the region's gross domestic product per capita. For example, in Guizhou, which had the lowest income per capita in both 1997 and 2007, the annual average growth in operating surplus was 18.25 percentage points higher for the 1997 to 2007 period than the average annual growth in compensation; whereas, in Shanghai, the wealthiest of the regions in both 1997 and 2007, the difference was only 0.21 percentage points. The correlation coefficient for GDP per capita by region in 1997 and the difference between operating surplus growth and compensation growth is -0.49.



Indeed, many scholars have voiced concerns over the low growth rate of laborer compensation and the small share of individual income out of overall GDP income. Wei Jie stresses that "individual income as a share of GDP has continuously been too small. Meanwhile, government tax revenue has grown faster than national GDP. The most unfair issue of income distribution is that the state has taken too much, and individuals have received too little."⁵ Zheng Xi, another economist, emphasizes that to increase household consumption, ways must be found to raise

household income, especially for farmers and those in the lower and middle income brackets.⁶

The Chinese government, in fact, has started to consider new policy initiatives targeted to improve overall GDP, income distribution, and household income, especially for farmers, who generally have much lower income than urban residents. One of the boldest moves is to head toward privatization in rural areas. Under a draft law set to be enacted in 2020, China's more than 800 million farmers would be able to trade, purchase or sell their land rights under a new land policy, which addresses the most serious grievance for Chinese farmers – violation of their land rights by corrupt, local officials who often seize their land and get rich through rapid industrialization schemes.

Policies to put economic decision-making into farmers' hands are efforts to reach the government's goal to "double the per capita disposable income of rural residents by 2020."⁷ Theoretically privatization could lead to much more efficient use of China's arable land and bring economies of scale that would lower agriculture production costs. But details about how land transactions would be regulated are still being debated, and many are doubtful that farmers will truly benefit in the end. Further, this potential change years from now will not have any immediate effect on improving the very low consumption rates of poor households. Fortunately, there are some other policies in effect now that can help improve the living standards and incomes of the poor. Among them: increasing unemployment and social welfare benefits for low-income households and training programs for unskilled labor in rural areas.

Chinese officials and scholars view the global recession as more of a golden opportunity than a threat. They see it as a chance to adjust China's economic structure domestically and their relationship to the world market. Further, the current situation confirms that their recent move to a balanced-growth strategy is not only necessary but also strategically beneficial for China's long-term development. However, identifying that the source of future growth lies within domestic demand is only the first step. Stimulating and sustaining the source of domestic demand that relies on increasing household consumption is a more challenging task, which cannot be fixed by simply building more roads or bridges. In addition to establishing social welfare, China needs to balance its income distribution to channel more income to its households.

1. Source: "China Inc. Looks Homeward as U.S. Shoppers Turn Frugal," Wall Street Journal, Sep. 29, 09. Available at: http://online.wsj.com/article_email/SB125417559519247515-1MyQjAxMDI5NTI0OTEyNzk1Wj.html
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5. Source: <http://video.sina.com.cn/finance/20090413/144916044.shtml>
6. Source: <http://video.sina.com.cn/finance/20090507/144116840.shtml>
7. Source: "China Announces Land Policy Aimed at Promoting Income Growth in Countryside," *New York Times*, Oct. 12, 2008, also available at [here](#).

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A Novel Approach to Improving Rural Finance and Increasing Farmers' Income

by Chuanhao Tian and Feijun Luo



Residential units of farmers in Fuyang, Zhejiang Province (1990s)

China's stunning economic growth since 1978 has resulted in a ten-fold increase in real GDP per capita, with an average annual growth rate of 8.6% in the past three decades (China Statistical Yearbook, 2008). However, urban incomes have continued to outstrip rural incomes? the per capita income ratio between urban and rural people widened to 3.3:1 in 2007 from 2.6:1 in 1978 (China Statistical Yearbook, 2008) and the trend is a major concern for the government? A policy announced in 2004 to phase out agricultural taxes has not worked to reverse the income gap. Undoubtedly, this disappointing outcome calls for additional supporting measures for farmers?

Houses and lands (H&L) are the most important potential assets to farmers? Zhang and Liu (2007) estimated that the value of H&L accounted for approximately 74% of an average rural household's total asset value? However, current Chinese law prohibits the sale, exchange, transfer, or collateralization of rural H&L, which greatly impedes the growth of income to farmers? Ke (2007) found that in 2005 farmers' asset income only made up 2.7% of their total income? The prohibitions also constrain the development of rural finance since H&L cannot be used as collateral for loans? By June 2005, agriculture loans were just 5% of total loans issued by financial institutions (Hu, 2006).

Not only does the current law block the development of rural finance and the increase of farmers' income, but also it promotes even more inefficient use and unequal distribution of scarce land resources? All rural Chinese households can apply for free land sites from their villages and build houses on those sites, but the

lack of a market mechanism makes for inefficient land use. From 1997 to 2005, 97 million rural people migrated to urban areas, but they still retained ownership of their rural H&L even if it became vacant. Numerous studies (Zhang & Lu, 2006; Han, 2008) show that vacant H&L and even vacant villages have become more and more common. In addition, the system fosters excessively large H&L holdings by some farmers and insufficient ones by others. Needless to say, vacant and excessively large H&L causes tremendous waste of land resources, something that should be corrected to foster sustainable economic growth. 賤

Reforming the current land law can bring enormous benefits to farmers as well as society. Should farmers be allowed to sell H&L, migrants would be able to collect large sums of money by selling their vacant H&L and using the proceeds for consumption and savings, generating new sources of economic growth. Should farmers be allowed to exchange or transfer H&L, they would be able to trade old houses for new ones provided by real estate developers and receive monetary compensation, which could improve farmers' living conditions and attract capital to rural areas. Should the collateralization of H&L be allowed, farmers would be able to receive more agriculture loans and invest in profitable businesses, and that could lead to booming rural markets. 賤

Some of this already is happening beneath the surface. Despite the official prohibition on the sale, exchange, transfer, or collateralization of rural H&L, underground markets have sprung up for rural H&L. In developed regions such as the Yangtze River Delta, the Pearl River Delta, and the vicinities of Beijing, rural H&L have entered the market through rents, transfer, partnerships, collateralization, and other means. (Jiang & Liu, 2003; Wang 2003; Huang, 2006). However, the lack of guaranteed H&L ownership in underground markets serves as a drag on further investments and a disincentive to improving the quality of buildings. 賤賤

To mitigate the serious problems in the current rural H&L law, some local governments have piloted gradual reforms under the acquiescence of the central government. Chengdu began issuing official certificates confirming property rights of farmers in 2008, providing a basis for the transfer and social utilization of H&L. Tianjin, Guangzhou, Fusan, and Jiaying enacted a policy of exchanging rural H&L for city dwellings in the hopes of bestowing benefits on both the local governments and farmers. Zhejiang Province allowed for the transfer of H&L collateralization. Together, these policy experiments in different regions, although their impacts cannot yet be fully evaluated, provide valuable experience for future reforms in rural H&L law nationwide. 賤



Residential units of farmers in Fuyang, Zhejiang Province (1980s)

Land law reform is not immune to risks, so it is vital to anticipate and control those potential problems. The risk that policy makers are most concerned with is the emergence of homeless farmers. Most farmers have no health insurance. If they become seriously ill, they might sell their H&L to pay for expensive medical services if they were able to do so.? Therefore land law reform should not stand alone; rather, it needs to be coordinated with reforms in other areas such as health care.? The recent health care reform, which aims to provide basic medical

services to all farmers and make medical services affordable, is a beneficial foundation for land law reform.

Another risk of land law reform involves corruption. Policy makers need to safeguard against self-interested officials making decisions during the reform process that benefit themselves and other special-interest groups at the expense of farmers. If this is allowed to happen and becomes rampant, land law reform could actually threaten social stability.?

To conclude, there is a growing interest in reforming the current land law, which constrains rural finance and income growth for farmers.? Land law reform can benefit farmers, city dwellers, and government units, as evidenced by the experimental reforms in some regions.? Every reform carries risks; however, the risks are manageable as long as governments prioritize people 抐 interests and build in safeguards against self-interest and corruption. The recent health care and social security reforms in rural areas provide a good environment for the land law reform. 牋牋牋牋牋牋牋?

Disclaimer

The findings and conclusions in this article are those of the authors and do not necessarily represent the official position of Zhejiang University or the U.S. Centers for Disease Control and Prevention.?

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Events

June 25th: "China Luncheon Briefing: Labor Contracts & a Changing Economic Environment," Thursday, June 25th, 2009, 11:30-1:30; Organized and Sponsored by: Womble, Carlyle, Sandridge & Rice, LLC & the China Research Center. Join us for lunch and discussion about the implementation and implications of China's new labor contract law, and an update on the effect of the global crisis on China's economy. Please see detail [here](#).

November 16th: Save the date! CRC 2nd Annual Event, Monday, November 16th, 2009, 7:00 p.m.

Speaker: Dr. Susan Shirk, Professor, University of California, San Diego

Topic: "US-China Relations: The Challenge of Domestic Politics"

Co-sponsors: The Confucian Institute, the National Association of Chinese Americans, and the Georgia Institute of Technology Center for International Business Education and Research

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